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AUTHOR Pray, Francis C.
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ABSTRACT

The poor performance of boards of trustees, often a characteristic of the so-called "struggling institution," is identified as a symptom of trouble in institutions with financial problems. In scores of colleges studied, very few boards of trustees were found who met the standards of composition, organization and performance necessary for solution of basic institutional problems, including the financial crisis. Where boards have been strong, well organized and committed, the institutions, though facing financial pressures, still view the future with expectation of success and continued viability. Weak boards were found in institutions in deep trouble. Implications of these relationships are discussed. It is suggested that trustees as well as management must be held accountable for institutional performance. Possible legal actions, such as class action suits against trustees evidencing neglect are considered. Most of the problems of institutions focus primarily on one function of management--financial stability--but trustees also have ultimate responsibility for policies defining educational objectives, faculty support, and student cocurriculum. (LBH)

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# TRUSTEES: ACCOUNTABLE OR DISCOUNTABLE

by Francis C. Pray, Honorary Chairman
Frantzreb, Pray, Ferner and Thompson, Inc.
Arlington, Virginia

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The controversial Carnegie Commission report on 491 "invisible" four-year colleges focused primarily, by implication at least, on their financial problems. This is a little like saying that all natural deaths are caused by heart failure, since heart stoppage is a traditional sign of death.

I suggest that there is in many cases another symptom of trouble, usually preceding the financial crisis -- poor performance of boards of trustees, often a characteristic of the so-called "struggling institution."

In scores of colleges studied by this writer, all too few boards of trustees have met the standards of composition, organization and performance that are necessary prerequisites to solution of basic institutional problems, including the financial crisis.

Where boards have been strong, well organized and committed, the institutions, while they may be undergoing financial pressures, still face the future with expectation of success and continued viability. Where the board is weak, badly organized, and un-committed (often non-committal) the institution is usually in deep trouble.

This abdication of responsibility, conscious or unconscious, is doubly sad, because it not only threatens the viability of the institution concerned but challenges the whole concept of the trustee function which, in successful independent institutions, is an important ingredient if not the bedrock of institutional stability.

The central importance of trustees in setting policy, assisting in management, and serving as sponsors and supporters of the institutions in their care is increasingly accepted as essential to the creation of institutional security, stability and growth. But now there are two new factors -- at least in the emphasis they are receiving as a result of the changing climate in which higher education operates.

The whole theory of the trustee role is being challenged. A large and powerful populist lobby believes that all higher education should be run by government. Students have increasingly high aspirations for performance. Faculty want a role in management and, at the same time, paradoxically, seek union power and act like employees. If the very role and responsibility of lay policy guidance is to be maintained, it will be maintained only by a convincing demonstration that boards of trustees are indeed of central importance.

We now observe, also, that a whole new dimension of accountability is being demanded of trustees because of the increasing problems faced by the institutions in their charge and because a new social climate challenges trustee performance, not only on moral and ethical but now also on legal grounds.

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Yet, the role of the lay trustee is or should be well established. America is one of the few countries in the world that have adopted the principle of interposing a group of laymen between government and the institution holding a public charter, whether it be a college, a museum, a children's aid society, a health organization or a publicly-held business corporation.

It seems to most of us who have examined the history of this relationship closely that those institutions where lay control is most responsive have succeeded best. Those institutions that have distrusted lay control, whether they be churches, armed services, or colleges, have generally been most inflexible and least able to meet new problems.

In good times, quiet times, the role of lay leadership has not always been of critical importance; many boards have failed to respond to new ideas because there seemed no great economic or social pressure for change.

But now deficits are continuing to mount. Social, political and economic problems converge upon colleges from all sides. All at once we are observing a widespread disillusion with the old ways of education and the old ways of college management. This disillusionment is shared not only by youth but, paradoxically enough, by many parents, taxpayers and government officials.

Trustees, under pressure, are heard to talk more and more about holding management accountable for better performance and have begun to consider how faculty can be persuaded to be more accountable for better education and higher productivity. The time has come, I suggest, to say that the trustees themselves must be held accountable. (Some trustees have indeed, in looking at "accountability," have been heard to quote Pogo: "We have sought the enemy, and he is us.")

This change in temper began in the business arena. The chairman of a major corporation told me recently that director liability insurance has tripled in cost in the past few years. And that's after a $50,000 deductible. Directors of some bankrupt or near-bankrupt companies are being sued personally for millions of dollars. I am told that a bank director who has not attended meetings and has failed to inform himself of problems he might reasonably be expected to have discovered if he had attended, opens himself to liability. Perhaps this might give second throught to the scores of college trustees who are remiss in attending board and committee meetings.

Now it is the turn of education. The trustees in one state are reading very carefully the law which says they are responsible to the extent of their personal fortunes if they have failed in prudent management of the institutions in their care. I hear that in another state the trustees of a college are being sued individually by its creditors for its unpaid bills.

Illegal acts, misuse of endowment funds, and so forth, are obvious cause for legal action. Now, however, we may see suits based on alleged neglect by trustees of their proper functions of reviewing management, evaluating policies, and providing reasonable answers to deficits and other financial crises. We can at least imagine the possibility of a class action against the trustees by parents or students if the trustees have failed to take reasonable steps to prevent loss of accreditation and consequent "devaluation" of the degree, or provide for safety of personnel; or if they have allowed unwise use of endowment.

Trustees are talking about accountability. Mostly they talk about the accountability of other people. But they themselves have the ultimate responsibility for the institution. In most cases trustees legally own it, if it is private, or at least hold it in trust on behalf of a church or other sponsor. It is their own accountability which should give them increasing concern.

Trustees are reluctantly beginning to face the hard reality that while many persons care for higher education as a process, as a philosophy, as a goal, and while many beautiful essays have been written about it, no government, no philanthropic group, no great coalition of wealth has committed itself in any way whatsoever to support forever each and every college and university.

On the way to a meeting recently one distinguished trustee asked, "Do you think independent colleges and universities can make it, can survive without going public or going broke?" I had to tell him that, after examining scores of private colleges, both those predominantly white and those serving predominantly black constituencies, I thought many of them would not make it at any reasonable quality level under present modes of management and leadership. But I added quickly that I thought most of them could make it if their trustees and administrators could bring to bear on the institutions the best of what is now known of planning and management. The answer lies in that if.

My observation, backed up by that of many more distinguished students of the problem than I, is that the if condition is not being very widely satisfied. New techniques of management, new breakthroughs in educational styles, new commitment and potentials for fund-raising lie all about us, yet few boards have assembled the expertise, the power, the know-how to meet the problem.

Even more regretfully most feel that the answer lies somewhere outside the institution. I am convinced that the need of this country for private colleges is so great that we have got to stop playing games with church-college relationships, quit blaming every trial and tribulation of the institution on "outsiders" or on legislatures, quit letting individual trustees occupy board seats when their usefulness is over, quit being so reluctant to hurt feelings when it is clear that the performance of the management is not acceptable.

Not much will happen -- except more rhetoric -- unless prompt and decisive steps are taken.

Most of the problems focus primarily on one function of management -- financial stability. But trustees also have ultimate responsibility for policies defining educational objectives, faculty support and student co-curriculum -- all the complex of programs and missions which give their institution its justification for existence. In my experience, not many trustees really enjoy talking and thinking about these problems, even though they will admit, when pressed, that legally and morally they, and only they, have ultimate responsibility for the viability of the institution.

Trustees who attend meetings and discuss trivia instead of important matters of institutional policy may be held to have betrayed their trust. In an extreme case they may be financially liable. In any case they are morally liable. If trustees are to demand accountability of others, they must meet the new expectations of accountability demanded of themselves.

December, 1972